

MONTANA LEGISLATIVE HISTORY

Chapter 254 19 87

Bill H 691 S _____ Original bill & history C

H. Committee on Business & Labor

Hearing Date(s) Feb 16 ✓ C

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_____ C

Date Out Feb 16 ✓ C

S. Committee on Business & Industry

Hearing Date(s) Mar 06 ✓ C

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Mar 06 ✓ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

HOUSE FINAL STATUS

HB 688 INTRODUCED BY BROWN, D., ET AL.
WAIVE ROYALTY FOR OIL AND GAS LEASES ON STATE LANDS

2/10 INTRODUCED
2/10 REFERRED TO TAXATION
2/10 FISCAL NOTE REQUESTED
2/18 HEARING
2/18 FISCAL NOTE RECEIVED
2/20 TABLED IN COMMITTEE

HB 689 INTRODUCED BY SWIFT, ET AL.
WORKERS' COMPENSATION INDEPENDENT CONTRACTOR
EXEMPTION EFFECTIVE UNTIL CHANGED

2/10 INTRODUCED
2/10 REFERRED TO BUSINESS & LABOR
2/14 COMMITTEE REPORT--BILL PASSED
2/16 HEARING
2/18 2ND READING PASSED 91 0
2/19 3RD READING PASSED 92 3

TRANSMITTED TO SENATE
2/21 REFERRED TO LABOR & EMPLOYMENT RELATIONS
3/12 HEARING
3/13 COMMITTEE REPORT--BILL CONCURRED
3/18 2ND READING CONCURRED 50 0
3/20 3RD READING CONCURRED 49 0

RETURNED TO HOUSE
3/23 SIGNED BY SPEAKER
3/24 SIGNED BY PRESIDENT

3/25 TRANSMITTED TO GOVERNOR
3/29 SIGNED BY GOVERNOR
CHAPTER NUMBER 290 EFFECTIVE DATE: 10/01/87

HB 690 INTRODUCED BY GLASER, ET AL.
AUTHORIZE MANUFACTURE, POSSESSION, AND DISTRIBUTION
OF CERTAIN COMPOUNDS

2/10 INTRODUCED
2/10 REFERRED TO HUMAN SERVICES & AGING
2/14 HEARING
2/16 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/18 2ND READING PASSED 92 0
2/19 3RD READING PASSED 92 0

TRANSMITTED TO SENATE
2/21 REFERRED TO PUBLIC HEALTH, WELFARE & SAFETY
3/23 HEARING
3/25 COMMITTEE REPORT--BILL CONCURRED
3/28 2ND READING CONCURRED 50 0
3/30 3RD READING CONCURRED 50 0

RETURNED TO HOUSE
4/03 SIGNED BY SPEAKER
4/04 SIGNED BY PRESIDENT

4/04 TRANSMITTED TO GOVERNOR
4/09 SIGNED BY GOVERNOR
CHAPTER NUMBER 430 EFFECTIVE DATE: 4/09/87

HB 691 INTRODUCED BY BRADLEY, ET AL.
REVISE RATE REGULATION OF SMALL TELEPHONE COMPANIES

HOUSE FINAL STATUS

2/10	INTRODUCED		
2/10	REFERRED TO BUSINESS & LABOR		
2/16	HEARING		
2/16	COMMITTEE REPORT--BILL PASSED AS AMENDED		
2/18	2ND READING PASSED	86	4
2/19	3RD READING PASSED	90	5
	TRANSMITTED TO SENATE		
2/21	REFERRED TO BUSINESS & INDUSTRY		
3/06	HEARING		
3/09	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
3/12	2ND READING CONCURRED	49	0
3/14	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE WITH AMENDMENTS		
3/17	2ND READING AMENDMENTS CONCURRED	94	0
3/18	3RD READING AMENDMENTS CONCURRED	92	0
3/21	SIGNED BY SPEAKER		
3/23	SIGNED BY PRESIDENT		
3/23	TRANSMITTED TO GOVERNOR		
3/27	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 254	EFFECTIVE DATE:	3/27/87

HB 692 INTRODUCED BY BROWN, J., ET AL.
 AUTHORIZE STATE AND LOCAL GOVERNMENTS TO USE
 CROSSOVER REFUNDING BONDS

2/10	INTRODUCED		
2/10	REFERRED TO LOCAL GOVERNMENT		
2/18	HEARING		
2/18	COMMITTEE REPORT--BILL PASSED		
2/20	2ND READING PASSED	92	0
2/21	3RD READING PASSED	91	0
	TRANSMITTED TO SENATE		
2/23	REFERRED TO STATE ADMINISTRATION		
3/05	HEARING		
3/06	COMMITTEE REPORT--BILL CONCURRED		
3/10	2ND READING CONCURRED	50	0
3/12	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE		
3/16	SIGNED BY SPEAKER		
3/17	SIGNED BY PRESIDENT		
3/18	TRANSMITTED TO GOVERNOR		
3/22	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 171	EFFECTIVE DATE:	3/22 87

HB 693 INTRODUCED BY MERCER, ET AL.
 REQUIRE STATE AGENCIES TO PRIORITIZE THEIR PROGRAMS

2/10	INTRODUCED		
2/10	REFERRED TO STATE ADMINISTRATION		
2/11	FISCAL NOTE REQUESTED		
2/12	HEARING		
2/12	COMMITTEE REPORT--BILL PASSED		
2/17	FISCAL NOTE RECEIVED		
2/20	2ND READING NOT PASSED AS AMENDED	43	48

HB 694 INTRODUCED BY THOMAS, ET AL.
 REQUIRE LIABILITY INSURERS TO REPORT CERTAIN

problem with this bill is it doesn't provide any regulation for this happening.

Chairman Kitselman asked under subsection 2, page 2, how do you determine what a reasonable cost of doing business is between stations. Mr. Shanahan responded that in any price regulation area, price regulations have to be published in order to define these things, otherwise they would have to determine what a reasonable cost is between the two people who are embroiled in the law suit. He said it is a court determination.

Chairman Kitselman asked, on line 22, page 2, if that margin of 6% meant guaranteeing a 6% minimum profit. Mr. Shanahan responded that it guarantees a minimum margin, but there are a number of areas to go over before that point.

CLOSING

Rep. Harrington stated that the most important part of the bill is the point of distribution of that gasoline. He said there is no way to avoid lawsuits if there is price fixing, or unfair practice as far as other distributors are concerned within an area. He commented that in this bill the one distinction is that the point of distribution is declared as far as the gasoline is concerned. He said it is wrong when big fuel sellers can distribute their fuels and make enough profit around the state that they can subsidize other stations in order to drive other people out with unfair marketing practices, and this bill will correct that.

HOUSE BILL NO. 691 - Revise Rate Regulation of Small Telephone Companies, sponsored by Rep. Dorothy Bradley, House District No. 79, Bozeman. Rep. Bradley stated that this bill is supposed to save money for the consumers of small telephone companies, and it cuts down the whole process to make it cheaper for the consumers. She explained the provisions of the bill, and said that the purpose of this bill is that it would be far less costly to the small consumers. She commented that it takes approximately \$50,000 to go through this process, and by the time you have the lawyers, accountants, and the other individuals involved and that sum of money is spread among 1200 consumers, the amount is about \$40 per consumer. She added that may be as much or more than the rate increase is even for, so to go through the process doesn't make good sense.

PROPOSERS

Jay Preston, Vice President, Ronan Telephone Company. Mr. Preston submitted written testimony. He also submitted

exhibits they filed in their last rate case, and letters from subscribers who are supporting the bill. Exhibit Nos. 8, 9, 10 (a-d), and 11.

Jay Downen, representing small telephone companies. Mr. Downen stated the small telephone companies are paying taxes at a rate of 11%, and these are not the telephone cooperatives. He said they are not eliminating work or positions of the Public Service Commission through this bill, but trying to give rate relief to consumers who often pay \$40 to \$80, or would have to pay that much to get protection from a rate which might amount to only \$12. He commented that they are trying to save consumers some money.

OPPONENTS

Joan Mandeville, Public Service Commission. Ms. Mandeville stated that this bill removes Commission jurisdiction over these telephone companies, and in essence it replaces the Commission's role with the Consumer Counsel. She said the Commission and the Consumer Counsel have different roles and different statutory mandates. Exhibit No. 12.

QUESTIONS

Rep. Cohen asked Ms. Mandeville, regarding the testimony of Mr. Preston, would it cost the Ronan Telephone Company \$75,000 to apply for a rate increase, and what is the procedure that small telephone companies have in applying for rate increases. Ms. Mandeville responded that there has not been a rate increase for a small telephone company that has cost that much. She said the PSC is concerned about keeping those costs down and have made every attempt to try to lessen those burdens, and have told the companies to bring in their justifications and the PSC will review them.

Rep. Glaser asked if PSC regulates the small telecommunication providers, the long line providers that are providing services in competition with Mountain Bell. Ms. Mandeville responded that they do not. She said the ones that operate in the state right now are resellers, who basically buy services from Mountain Bell and AT&T on what is a bulk basis, and then resell it as a retail situation. She added the Montana Telecommunications Act in 1985 gave them the ability not to regulate those companies; they are competitive services and they did not want to regulate them.

Rep. Glaser asked if the PSC would regulate the carriers that are in the process of preparing engineering data or arranging to run lines across Montana that will be primary providers, and not just resellers. Ms. Mandeville responded

if they are facility based carriers and they have their own facilities, they would regulate those carriers.

Rep. Driscoll asked if the PSC keeps track of the water rates in the state of Montana. Ms. Mandeville responded it only includes municipal water companies.

Rep. Driscoll asked if they keep track of how much the rates have gone up, when they exempted the municipal water companies from the law. Ms. Mandeville responded they have not.

Rep. Driscoll asked if any of the municipal water companies have asked the PSC for a rate increase above the 12% a year they can raise without any review by the PSC. Rep. Driscoll stated the point he is making is that when they exempted the municipal water companies from the PSC regulation, the price of water in Billings doubled within three years; and he asked if the same thing could happen with these people. Ms. Mandeville said there is a fundamental theory that if there is a monopoly, there is a need for some regulatory oversight, especially if it is a poor profit type of entity.

Rep. Swysgood stated that the bill provides that the Commission is still going to be involved if the subscribers feel that this rate increase is unjust, and he asked why the Commission feels that it is not going to be involved if there are extremely high rate increases. Ms. Mandeville responded that what they are referring to is the individual customers that are required to send in written petitions, but customers in other parts of the state such as Billings, already have the right to simply rely on the PSC to protect their interest.

Rep. Glaser stated on page 2, line 12, reference is made to one subscriber for each build account of each small telecommunications provider, and wants to propose an amendment on the line where it says, "build account of", change it to "build line of", and asked if Mr. Preston objected to this. Mr. Preston responded he would not.

CLOSING

Rep. Bradley stated that in response to Rep. Driscoll's statement that water rates had doubled within a short period of time, if that kind of thing was to happen, the subscribers would petition, and the Consumer Counsel or the Public Service Commission would open a case. She said it was stated that minimum requirements already exist; but the small company still has to file, and would have to submit a minimum amount of information and get a waiver. She added there is still a process and a justification that has to be proven. She commented it is not difficult to determine the

10%, because the companies know exactly the number of subscribers. She said she has no problem with Rep. Glaser's amendment, but that information is easy to determine, and is not an objection to this bill. The reason that there is no evidence that the regulation is burdensome at this point, she said, is because these companies have been avoiding going through this process for a long period of time for the simple reason that they believe it is burdensome. She added, there isn't a lot of evidence on the record because they are avoiding the whole thing.

HOUSE BILL NO. 689 - Workers Compensation Independent Contractor Exemption Effective Until Changed, sponsored by Rep. Bernie Swift, House District No. 64, Hamilton. Rep. Swift stated that this bill provides under the Workers Compensation Act, that the independent contractor's exemption status remains in effect until the independent contractor notifies the Workers Compensation Division of a change in his status.

PROPOSERS

None.

OPPOSERS

Hiram Shaw, Workers Compensation Division, stated he would be available to answer any questions.

CLOSING

Rep. Swift made no further comments.

EXECUTIVE ACTION

ACTION ON HOUSE BILL NO. 623

Chairman Kitselman referred House Bill No. 623 to a subcommittee composed of Rep. Jones, Rep. Simon, and Rep. Pavlovich, with Rep. Jones as chairman.

ACTION ON HOUSE BILL NO. 689

Rep. Jones moved that House Bill No. 689 DO PASS. The motion carried unanimously.

ACTION ON HOUSE BILL NO. 691

Rep. Brandewie moved that House Bill No. 691 DO PASS.

Rep. Glaser moved the amendments, on page 2, line 12, after "build" strike the word "account" and insert "line", to

read, "there is one subscriber for each build line of a small telecommunication provider". He said there are a lot of little operators that might have several telephones, such as an individual line to a building, party line, or extension line and it should be weighed on the basis of the amount of service they are providing, and the word "line" would do that. The motion carried with Rep. Wallin, Rep. Nisbet, and Rep. Brown opposed.

Rep. Driscoll stated this is the same thing that was done for the water companies, and the water rates in Billings doubled because no review is required. He said the same thing is going to happen in this situation as these companies are not cooperatives but are profit telephone companies, and there are not enough safeguards in this bill.

Chairman Kitselman explained that in this bill there is a 10% petition, an automatic Consumer Counsel, and the PSC can review the rates. He said none of these three safeguards were in the situation regarding the water companies rates.

Rep. Brandewie moved that House Bill No. 691 DO PASS AS AMENDED. The motion carried with Reps. Pavlovich, Hansen, Driscoll, Brown, and Cohen opposed.

HOUSE BILL NO. 727 - Exempt Live-In Employees From Minimum Wage and Overtime Law, sponsored by Rep. Cal Winslow, House District No. 89, Billings. Rep. Winslow stated that this bill is an act to exempt from the minimum wage and overtime laws, employees of lodging establishments, and personal care facilities who live in the establishment. He said this addresses the problems that small motel and hotel owners have because of their small staff and a person that lives on the premises, usually a manager, that is on call 24 hours a day.

PROPCONENTS

Ernie Dutton, Billings, submitted written testimony. Exhibit No. 13.

Steve Waldron, representing Montana Residential Child Care Association. Mr. Waldron stated that they are likely to lose some of those foster care group homes if they have to pay minimum wage to the staff that stay on the premises if this legislation passes.

OPPONENTS

Chris Volinkaty, representing the developmentally disabled people in the state of Montana. Ms. Volinkaty stated that this bill is open ended, and the problem is the budget and

STANDING COMMITTEE REPORT

February 16

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE BILL NO. 691

☒ do pass

☐ do not pass

☐ be concurred in

☐ be not concurred in

☒ as amended

☐ statement of intent attached

REP. LES KITSUMAN

Chairman

AMENDMENTS AS FOLLOWS:

1) Page 2, line 12

Strike: "account"

Insert: "line"

FIRST

reading copy (

WHITE

color

WITNESS STATEMENT

EXHIBIT
DATE 2/16/87
HB 691

NAME Jay Wilson Preston BILL NO. G71
ADDRESS 312 Main St. SW - Ronan MT 59864 DATE 2-16-87
WHOM DO YOU REPRESENT? Ronan Telephone Co - Hot Springs Telephone Co.
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: The aim of this bill is to reduce the direct and indirect costs of the rate making process for small telephone companies and their customers.

Please refer to the attached exhibit for details of the administrative costs of the current regulatory system for Ronan Telephone Co.

The customer notice provisions and 10% petition trigger for full PSC review provision maintain protection of the subscribers of small telephone companies from predatory pricing. In addition, Consumer Council can initiate review ~~independently~~ independently, if that office feels the company is not proposing equitable rates.

Small telephone companies desperately need relief from the high costs of administering the regulatory process, particularly from the increased burden that has occurred since the enactment of the Ball System. This bill is one small step to let the operators of Montana's small telephone companies get back to the business of serving their customers, rather than an inflated regulatory process.

RONAN TELEPHONE COMPANY

DIRECT COSTS OF RATE MAKING PROCESS

Ronan Telephone Company has petitioned for increases in its basic rates only 3 times since 1960. Below are summaries these rate cases and the direct costs associated with them.

1st Rate Petition - 1961

The company was purchased by the present owners on Jan. 1, 1960. At that time the system utilized a manual switchboard, all calls had to be completed with operator assistance, and the standard rural service was 20 subscribers on each line. In the fall of the year of purchase, dial switching was introduced and the service was upgraded to only 8 parties on each rural line.

In 1961, the company filed for its first rate increase under the new management. All work associated with this rate case was done in house.

Direct Cost of Filing - Not Available

2nd Rate Petition - July 1976

Legal Fees Incured: (Local Attorney) \$600.00

Most of the exhibit preperation was done by RTC staff with the aid of our local attorney.

The case asked for increases to fund upgraded service for the area. Basic service was upgraded from 4 & 8 party service to 1 & 2 party service. The entire process consumed the better part of 1.5 years from the time the case was filed until the case was completed.

A very minor technical mistake was made in accounting for ITC in the rate case exhibits. After the rates had been implemented, RTC was audited by the IRS, and the result was a claim against RTC to repay all ITC taken by RTC in the service expansion investment period of 1972 to 1976. Thus, as a result of RTC's desire to save its subscribers the cost of a sophisticated rate case prepared by expensive professionals, RTC had to deal with a \$60,000 IRS claim for ITC repayment + interest that consumed 5 years to resolve and cost \$40,000 in legal fees and \$10,000 in accounting fees. During this 5 year period, the fate of the company was in question, management was unable to plan for the future in any meaningful way, and the total cost, both in human terms and financially, is impossible to estimate.

RONAN TELEPHONE COMPANY

DIRECT COSTS OF RATE MAKING PROCESS
 (Continued)

3rd Rate Petition - July 1980

Legal & Accounting Fees incurred:	\$9500.00
(Not Local Firms- Both firms were in Helena.)	
1829 Subscribers- Cost per Subscriber for Prof.	\$5.20 per Sub.
Estimated RTC in house expense:	\$15,000.00
(Includes the cost of time & travel to Helena on many occasions to confer with Professionals, print exhibits for case, and miscellaneous expenses.)	
Total Direct cost per subscriber	\$13.40 per Sub.

Estimated Cost for Rate Case Today - 1987

Legal & Accounting Costs	\$20,000
Consulting Costs	\$25,000
In House Expenses	\$30,000
Total Estimated Cost of Rate Petition	\$75,000
Total Estimated Cost per Subscriber for RTC	\$36.62

This estimate does not account for the continuing expense of monitoring the regulatory process and fulfilling the post-divestiture requirements of the FCC & PSC for rate averaging activities. RTC estimates the ongoing cost for this process, which did not exist before the divestiture of the Bell System, is between \$1.50 and \$3.00 per subscriber per month. This is the most damaging cost, because it is continuous and ongoing. It is RTC's current opinion that this cost will only rise over time. Nothing on the telecommunications horizon reveals any abatement of this unproductive unnecessary cost in the foreseeable future.

For RTC, this activity represents perhaps an ongoing expense of \$75,000 per year.

EXHIBIT 10(a)
DATE 2/16/87
HB 691

RONAN STATE BANK

February 11, 1987

Montana State Legislature
Helena, Montana

Re: House Bill 691

Dear Legislators:

Ronan State Bank would like to take this opportunity to support House Bill 691, An Act Reducing Rate Regulation of Small Telephone Companies.

In reviewing this proposed legislation with our local telephone company, it appears the costs associated with a general rate review are excessive as they apply to minor modifications of rates. We believe the protection is available through the proposed legislation to require a full review if the public comment is not favorable to the proposed changes.

Thank you for the opportunity to present our support of this issue.

Sincerely,



Martin M. Olsson
Vice-President

WESTERN SEED & SUPPLY, INC.

1308 ROUND BUTTE RD. W.

WESTLAND SEED INC.



RONAN, MONTANA 59864

EXHIBIT 10(L)
DATE 2/16/87
HB 691

Feb. 12, 1987

Les Kitselman
Chairman
Montana House of Representatives
Business & Labor Committee
State Capital
Helena, MT 59601

Dear Mr. Kitselman:

I am writing to express my support of HB 691, "AN ACT REDUCING RATE REGULATION OF SMALL TELEPHONE COMPANIES: ETS."

I am presently a resident and business man in Ronan, Montana, and am served by Ronan Telephone Company for both my business and residential telephone service. My experience dealing with our locally-owned and operated telephone system has convinced me that service here is of the highest quality and comparable to, or better than the service I have experienced in other communities, namely Bozeman, MT. and Bismark, ND.

I am also convinced that the regulatory burden small telephone companies are required to submit to, is an expensive process that raises the cost of telephone service to our local residents above what it could be if the process were simplified. The owners of our local system, the Preston family, live in the community they serve, and have demonstrated a long term interest in the communities well being.

Being in business myself, I can well understand the burden, bureaucratic regulations cause. Therefore I strongly support HB 691.

Sincerely,

Ken Sagmiller, Pres.
Westland Seed, Inc.
1308 Round Butte Rd W
Ronan, MT 59864

EXHIBIT 10(c)
 DATE 2/16/87
 HB 691

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

 NORTHWESTERN FINANCIAL SERVICES, INC.
 ART AYLESWORTH - REPRESENTATIVE

 OFF: (406) 676-0300
 RES: (406) 676-8100

2/13/87

Les Kitzelman
 Chairman
 Montana House of Representatives
 Business & Labor Committee
 Sub Capital
 Helena MT 5601

Hi Mr. Kitzelman,
 I would like to offer my support of HB 691 "An Act Reducing Rate Regulation of Small Telephone Company".
 I am a rural resident & business man in Ronan. Both phones are served by Ronan Telephone Co. I can only report excellent service at both locations & far superior service than I have at a summer residence in St Regis MT.

This legislation appears to be aimed at reducing costs associated with general rate reviews. Also adequate protection exists for abuse of privileges offered. Any changes such as this, that will reduce bureaucratic interference with good government should be supported.

Sincerely, 

MISSION VALLEY NEWS

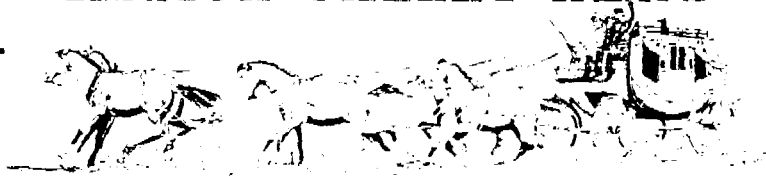


EXHIBIT 101 d 1
DATE 2/16/87
HB 691

February 14, 1987

Montana State Legislature
Helena, Montana

Ladies and Gentlemen:

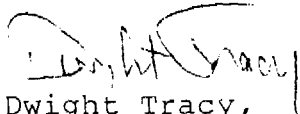
My name is Dwight Tracy. I own and operate a weekly newspaper in Ronan, Montana, and after talking with the owners of Ronan Telephone Company I want to support House Bill 691.

The Bill would eliminate the requirement of Public Service Commission hearings for rate changes. It does contain provision for PSC approval upon request of 10 percent or more of a small rural telephone company's customers after they have been notified of a pending increase. Rate regulation by the PSC would also be required when requested by the Consumer Council.

Even without those safeguards, I have great confidence in the integrity and community loyalty of our locally owned telephone company. We receive fine service here, and I suspect that removing some of the increasingly expensive governmental requirements of operating a business will be in the best interests of both the company and its customers.

Thank you for considering support of House Bill 691.

Sincerely,


Dwight Tracy,
Publisher

STATES WHICH HAVE NO REGULATION OR REDUCED
REGULATION OF SMALL INDEPENDENT
TELEPHONE COMPANIES

EXHIBIT 11(a)
DATE 2/16/87
HB 691

North Dakota -

No jurisdiction of local rates if under 3,000 subscribers
Section 49-02-01.1, North Dakota Century Code

South Dakota -

No jurisdiction if less than 7,000 subscribers
Section 49-31-5.1, South Dakota Codified Laws

Minnesota -

No jurisdiction if less than 15,000 subscribers
Sections 237.01 subd. 3, and 237.075 subd. 9,
Minnesota Statutes Annotated

Iowa -

No jurisdiction if less than 15,000 subscribers
Section 476.1, Iowa Code Annotated

Illinois -

No jurisdiction if less than 15,000 subscribers
Section 13-504, Illinois Annotated Statutes

Wisconsin -

No jurisdiction if less than 7,500 subscribers unless:
- petition by 10% of affected subscribers, or
- proposed increase exceeds 30% in one year
Chapter 196, Wisconsin Statutes Annotated

Oklahoma -

No jurisdiction of local rates if less than 15,000
subscribers unless:
- petition by 15% of subscribers, or
- proposed increase exceeds \$2 per month, or
- PSC investigates after the fact and orders reduction
17 O. S. 1981, Section 137

Nebraska -

No jurisdiction under 5,000

Nevada -

exempt telephone cooperatives

Oregon -

No jurisdiction upon petition

Utah -

No jurisdiction under 5,000

EXHIBIT 12
DATE 2/14/87
BY 691

PUBLIC SERVICE COMMISSION

2701 Prospect Avenue • Helena, Montana 59620
Telephone: (406) 444-6199

Clyde Jarvis, Chairman
Howard Ellis, Vice Chairman
John Driscoll
Tom Monahan
Danny Oberg

WRITTEN TESTIMONY OF THE PUBLIC SERVICE COMMISSION IN OPPOSITION
TO HB 691

If enacted this legislation would reduce rate regulation of privately owned telephone companies with less than 5,000 customers. That means that 6,000 customers, including 1,000 business lines, in the territories of 5 telephone companies in the state would be effected. The Companies are:

Hot Springs Telephone
Lincoln Telephone Company
Project Telephone Company
Ronan Telephone Company
Southern Montana Telephone

The bill would remove the Public Service Commission's automatic review of rate increases. The Commission could review rate increases (including the formation of new rates) only in the following instances:

- 1) If 10% of affected customers have petitioned the Commission to review the rate increase;
- 2) If the telephone company requests the Commission review the increase;
- 3) If the Consumer Counsel petitions the Commission to review the case.

A strong majority of the Commission voted to oppose this bill. We feel that the current regulatory process works well. Under

existing law the Commission is required to provide an opportunity for hearing before rates are increased. The Commission reviews each request to determine the fairness and necessity for the increase. This is a system where monopoly ratepayers have the right to point out problem areas for themselves and have a hearing before the Commission to express their views. The Commission also has a responsibility to the monopoly ratepayers to use their expertise to assure just and reasonable rates.

The purpose of the Commission is to provide oversight to utilities offering monopoly services. We do not think the Commission should be relieved from the responsibilities it currently has to protect customers of monopolies. These customers should not be expected to have the expertise to decide whether or not an increase is cost justified and if the total of all increases represent a reasonable increase in revenues. Customers should be able to rely on this Commission to protect their interests.

Utility customers should have the same rights and protection regardless of the area of the state in which they reside. Customers in Huntley should have the same rights as customers in Billings. This bill takes away the rights of individual customers in the state.

The Commission wants to make it clear that the rates that this bill seeks to remove from Commission review are not competitive services. This bill would affect basic telephone services. Services such as your monthly local rate, the amount you're charged to get a telephone installed, and the amount you pay for directory assistance. The Commission has the flexibility to relieve companies from unnecessary rate regulation of competitive services. We were given this flexibility when the 1985 legislature passed the Montana Telecommunications Act. The Commission testified in favor of that legislation. However, the services that would be affected by this bill are offered by PRIVATELY OWNED UTILITIES and are NOT COMPETITIVE.

The Commission feels that if this bill passed it would be unworkable. The bill requires companies to file a "summary of the justification for the proposed rate increase". This is very vague and may not give enough information for customers and consumer counsel to decide whether or not an increase is reasonable or the Commission to determine rates should a review under Section 4 take place. The bill also requires review if 10% of affected customers petition the Commission. How will the number of affected customers be determined for construction charges, installation charges, late payment charges, and new services?

We feel that the Commission has been and continues to be sensitive to the needs of the small utilities it regulates. In June of 1986 the Commission enacted a rule, on its own motion, that exempts these companies from most of the minimum filing requirements. The Commission keeps minimum filing requirements to the minimum that will provide sufficient information for effective regulation. The MTA was present at the hearings on the minimum filing requirements and did not testify that they would cause unnecessary burdens. The Commission has offered to further amend its rules to solve any perceived problems with the burden imposed on smaller companies, but that proposal has been rejected by these companies. Until there is a good faith effort to address perceived problems through the established process, we shouldn't resort to the more drastic approach of limiting jurisdictional authority.

The Commission is ahead of the Federal Communications Commission in amending its rules to reduce the filing requirements for small telephone companies. The FCC is only now considering reduced filing requirements, not reduced regulation. This committee should be aware of the note of caution sounded by the FCC in announcing its proposed rulemaking to reduce filing requirements: "local exchange carriers ... have a monopoly regarding the provision of ubiquitous access to the subscribers in their service area".

There has been attempts all across the country to deregulate the provision of telephone services, many of which are still offered on a monopoly basis. The Commission sees this bill as a premier to further unwarranted deregulation of monopoly services.

In summary, this Commission has a responsibility to regulate the provision of monopoly services. Customers have certain rights to express their views that would be eliminated under this bill. The Commission strongly opposes this type of legislation.

LINCOLN TELEPHONE COMPANY, INC

P.O. BOX 175 • LINCOLN, MONTANA 59639 • (406) 362-4216



February 12, 1987

Mr. Les Kitselman, Chairman
House Business & Labor Committee
Room 312-F
Capitol Building
Helena, MT 59620

EXHIBIT did not t.
DATE 2/16/87
HB 691

Mr. Kitselman:

As we are unable to personally attend the scheduled hearing on Monday, February 16th, the Manager and Board of Directors of the Lincoln Telephone Company would like to offer the following comments on House Bill #691, and for these comments to be included in the official record.

We see the passage of this bill as a way of insuring that our customers will not be forced to pay the additional costs of preparing a full rate case in the event of a need for a small increase. In this age of deregulation, the added burden of fees mandated on our customers, such as customer access line charges and 911 fees, etc., are driving up the local service rates.

This bill would give us the flexibility we would need, while giving our customers the protection of both the Consumer Counsel, and the Montana Public Service Commission, and still gives them the vehicle to protest the increase if they feel the need.

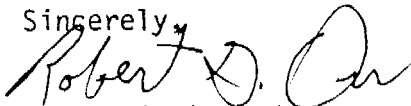
In the Commission's response, they stated that, in 1980, the Ronan Telephone Company requested a \$ 165,000 increase, with a rate case expense of \$ 10,000. While \$ 10,000 is a small percentage of the total requested amount, had this been our case, the \$ 10,000 would have to be born by about 640 subscribers.

We would also like to offer our objection to the Commission's statement that we, or any small telephone utility, today, offer local exchange service on a monopoly basis. By-pass is daily becoming a reality in many parts of the country.

By board resolution this day, we strongly urge you to support this bill.

Thank you for your time and this matter.

Sincerely,


Robert G. Orr, Manager

For:

J.P. "Pat" Mulcare
E.S. "Buck" Haines
Thelma S. Hines
E.S. Grady, Sr.

Copy: Montana Telephone Association
Mr. Jay Downen

Sharon Swanson, representing her small family corporation from Ravalli County, supported the bill because it would assure them of a telephone that works.

Rick Pokorny, representing Triangle Telephone Cooperative, supported the bill because it would give them equal opportunity. (EXHIBIT 4)

Further proponents were Olaf Hanger, Project Telephone, Billings area and Cal Simshaw, Montana Telephone Association and representing Montana's Rural Cooperatives and small telephone companies, who briefly testified for the same reasons stated above. A number of other proponents signed the visitors' register.

OPPONENTS: Gene Phillips, Kalispell, representing Northwestern Telephone Systems, contested the bill because his organization is subject to regulation by the Public Service Commission and this would provide competition from those who are not subject to the same regulations. He said they were never contacted and suspect mischief in the bill.

DISCUSSION OF HOUSE BILL NO. 585: Chairman Kolstad then called for questions from the committee.

Sen. Weeding asked Mr. Phillips and he agreed that the most important aspect is what would benefit the customer, consumer, and subscribers as well as the public.

Sen. Williams asked if they had been in contact with the Public Service Commission and Mr. Phillips replied that they had not. The staff attorney for the Public Service Commission, GERALYN Driscoll remarked that her group neither opposed nor supported the bill. They cannot give territorial protection to the companies that they regulate.

Chairman Kolstad asked Mr. Downen to clarify whether or not a cooperative can go into any urban area over 1500 and he replied they could not go into any area over 3500.

Rep. Bradley closed the hearing stating she had not meant there is a compromise but that they are trying to create good competition. She responded to predatory pricing by saying the anti-trust laws apply to everybody and that provides security.

The hearing was closed on HB 585.

CONSIDERATION OF HOUSE BILL NO. 691: Rep. Dorothy Bradley, District 79, Bozeman, sponsor, handed out proposed amendments by AT&T that were endorsed by all the supporters of the bill. (EXHIBIT 5) Rep. Bradley said the bill provides for reduced rate regulation for certain small telecommunications providers. A small provider (one serving fewer than 5,000 subscribers) could give notice of a rate increase to the public service commission, subscribers and the consumer council.

The PSC would review and determine the rates only if affected subscribers petition the commission for review of the proposed increase. A proposed rate increase would be effective unless within 60 days of notice by the utility the commission receives petitions with signatures of at least 10% of the affected subscribers seeking review by the commission of the proposed rate increase. She also went through the amendments which had been distributed.

PROPONENTS: Cal Simshaw, Montana Telephone Association, said the bill provides flexibility in the process to identify those instances where a full-scale regulatory oversight is necessary. An important point in the bill is that the Montana Consumer Counsel, which is the constitutionally established body designed to protect the ratepayer interest in the utility area, is very capable and will retain that discretion.

Jay Preston, representing Ronan Telephone Company and Hot Springs Telephone Company, distributed EXHIBITS 6 and 7.

Robert Helming, representing Southern Montana Telephone, Wisdom, felt this bill would save taxpayers and his customers money and would also save time for the Commission and his office. They would still be policed by the PSC.

Olaf Hanger, Project Telephone, expressed support.

Jay Downen, representing the small independent telephone companies, said the bill is written in the most part through the suggestions of the Public Service Commission, although they are opposing it. They would like AT&T, the Consumer Counsel and everyone to be as helpful as they can with this bill. He feels "where there is a public interest served, there is a need for regulation." He said this also applied to the bill and provides more protection for the consumer than they sometimes now have. This is not a de-regulating bill; it is a detariffing bill and is for the small rate increases only.

OPPONENTS: Joan Mandeville, rate analyst for the Public Service Commission, submitted EXHIBIT 8 in opposition to the bill.

DISCUSSION OF HOUSE BILL NO. 691: Chairman Kolstad then called for questions from the committee.

Sen. Williams asked Ms. Mandeville what the "strong majority" of the Public Service Commission was and she replied that she thought it was a 4-1 vote in opposition.

Sen. Neuman questioned about the cost - one person testified the cost would be prohibitive and Geralyn said it would go to as brief a process as possible. He asked for some figures and they ranged from \$33,000 to \$75,000.

Sen. Williams asked about the Ronan case in 1980 where it cost them \$9500 for the study, what would be the guess as to what it might have cost the State or the PSC for their part of the study. Ms. Driscoll said they were in sort of a neutral role so as far as putting on a case on the consumer's side, a whole lot of that cost is borne by Consumer Counsel which would continue under this bill if they chose to. At that time it would not have been a tremendous amount.

Sen. Meyer asked Mr. Downen about his statement that an individual could protest a rate increase but the testimony from the PSC said 10% of the affected customers would have to petition. Mr. Downen said 10% of the consumers could do that and in another instance, the Consumer Counsel could initiate a case upon receipt of a call from one consumer.

There being no further questions, Rep. Bradley closed her presentation on HB 691 said it is absurd to go through a process that is as costly as the rate increase for which they are asking. She felt the PSC opposed the bill because they were very concerned about consumer protection but the bill had been meticulously drawn to give consumer protection; the 10% petitioning - it is known how many subscribers there are and exactly how many 10% would be.

The hearing was closed on HB 691.

EXECUTIVE ACTION

DISPOSITION OF HOUSE BILL NO. 691: Sen. Neuman MOVED ADOPTION OF THE AMENDMENTS proposed by Rep. Bradley on HB 691, seconded by Sen. Meyer. The MOTION PASSED UNANIMOUSLY. Sen. Neuman MOVED HB 691 BE CONCURRED IN AS AMENDED, seconded by Sen. Meyer. The MOTION PASSED UNANIMOUSLY and Sen. Neuman will carry the bill.

DISPOSITION OF HOUSE BILL NO. 585: Sen. Weeding MOVED HB 585 BE CONCURRED IN, seconded by Sen. Williams. The MOTION CARRIED UNANIMOUSLY. Sen Williams will carry the bill in the Senate.

DISPOSITION OF HOUSE BILL NO. 654: Sen. Hager moved that HB 654 BE CONCURRED IN, but following discussion by the committee, the MOTION WAS WITHDRAWN. Ms. McCue said on page 2 there is a reference to a statute that refers to all beverages and she did not understand how the beer and table wine situation fits into the all beverages quota. She also referred to another statute that deals with retail beer licenses. She suggested they wait on this bill until she could work on an amendment.

DISPOSITION OF HOUSE BILL NO. 570: Sen. Williams MOVED ADOPTION OF THE AMENDMENT to extend it to any public place with a beer and wine license, seconded by Sen. Neuman. It was pointed out that the golf course has to have the beer and wine license in

COMMITTEE ON

DATE

3/6/87

Business & Industry

VISITORS' REGISTER

NAME	• REPRESENTING	BILL #	Check One	
			Support	Oppose
Jay Wilson Preston	Ronan Telephone Company & Hot Springs Telephone Company	HB 691	✓	
JOAN MANDEVILLE	PSC	HB 691		✓
David M. Billekus	Nemont telephone Cooperative	HB 585	✓	
Burl Miner	Triangle Tel. Coop. Assoc.	HB 585 HB 691	✓	
Buck Harrison	Livestock Tel. Coop.	HB 691	✓	
Cal Samslow	Montana Telephone Association	HB 585 HB 691	✓	
Robert Helmig	Southern Montana Tel. Co.	HB 585 HB 691	✓	
Earl Owens	Blackfoot Tele. Corp. Inc.	HB 585 HB 691	✓	
William R. TEEBIE	Blackfoot Tele. Co.	HB 585 HB 691	✓	
Bob Durker	MTA	576 654		X
GENE PHILLIPS	BUFFALO HILL CC	HB 570	X	
GEORGE PHILLIPS	NORTHWESTERN TELEPHONE	HB 585		X
Alph. Parker	3 Rivers Tel.	HB 585	✓	
Esther Parker	3 Rivers Tel.	HB 585	✓	
Kenneth Saunders	Montana Telephone Assoc.	HB 691 HB 585	✓	
Carl J. Rasmussen	Montana Telephone Assoc.	HB 585	✓	
Cliff Sanger	Project Tel.	HB 585 HB 691	✓	
Brenda Selge	Montana Cultural Alliance	HB 654	X	
Wanda Stover	Nemont Telephone Cooperative	HB 585 HB 691	✓	
Howard Johnson	University GEC Course	HB 570	✓	
Donald Kimmel	Mid-Rivers Telephone Co.	HB 585 HB 691	✓	
Rudy Ehlert	Mid-Rivers Telephone Co.	HB 585 HB 691	✓	
Sharon Allen	W?? Administration	576 654-91	X	
James Thompson		HB 691	✓	

(Please leave prepared statement with Secretary)

3/6/87

TESTOMONY ON HOUSE BILL 691 - REVISE RATE REGULATION OF SMALL

TELEPHONE COMPANIES

- SPONSOR, DOROTHY BRADLEY, BOZEMAN

MS. BRADLEY DISTRIBUTED AMENDMENTS SUGGESTED BY AT&T AND THAT WERE ENDORSED BY ALL THE SUPPORTERS OF THE BILL. SHE THEN EXPLAINED THAT HB691 REDUCES RATE REGULATION OF SMALL TELEPHONE COMPANIES, OF WHICH THERE 5 (SMALL BEING DEFINED AS UNDER 5,000 SUBSCRIBERS). SHE STATED THAT THE REASON FOR THE BILL WAS TO TRY TO REDUCE THE COST TO THOSE SUBSCRIBERS IN THE WHOLE REGULATORY SCHEME ESPECIALLY REGARDING GOING THROUGH ANY FAIRLY LEGAL PROCESS INVOLVING LAWYERS AND ACCOUNTANTS. SHE STATED THAT SOMETIMES THESE FEES CAN BE MORE THAN THE INCREASE WHICH IS BEING SOUGHT THROUGH THESE LEGAL PROCESSES. WHAT HB691 DOES AS AN ALTERNATIVE IS SET UP A NOTICE PROCESS WHEREBY A NOTICE GOES TO THE SUBSCRIBER, THE CONSUMER COUNCIL AND THE PUBLIC SERVICE COMMISSION. FOLLOWING THAT NOTICE PROCESS, THE PSC MUST REVIEW THE REQUEST IF THERE IS A PETITION WHICH HAS BEEN SIGNED BY THE APPROPRIATE NUMBER OF SUBSCRIBERS, IF IT IS RAISED BY THE CONSUMER COULCIL, OR IF THE PSC HAS A QUESTION THEMSELVES ABOUT THE REQUEST. SHE THEN NOTED THE BILLS KEY PROVISIONS WHICH ARE AS FOLLOWS:

1. Page 2, line 3 - definition of a small telecommunications provider
2. Page 2, bottom - notice process
3. Page 2, lines 23 & 24 - it states specifically, affected subscribers, commission, and consumer council.

MS. BRADLEY FELT THAT THIS WAS PARTICULARLY IMPORTANT BECAUSE IF THE BILL TAKES AWAY THE AUTOMATIC REVIEW OF THE PSC, IT SHOULD BE REPLACED WITH NOTICE TO MAKE SURE THAT THE AFFECTED PEOPLE ARE AWARE OF EXACTLY WHAT IS GOING ON.

4. Page 3 - states contents of what those individuals will be given notice of
5. Page 3, line 21 - gives the PSC the mandate to review if they are petitioned by the proper number, if the provider requests it, if the consumer council petitions it. They can't go through this process on lines 9 & 10, page 4, for an increase until 6 months have passed since the last requested increase.

TESTIMONY ON HOUSE BILL 691 continued...

6. Section 5, line 13 - nothing in this section limits the authority of the PSC to investigate any time on its own motion.
7. Section 6 - discusses the number of petitioners (subscribers) who can petition (which is 10%).

MS. BRADLEY CITED AN EXAMPLE WHICH SHE FELT SHOWED THE NEED FOR HB691. SOUTHERN MOUNTAIN BROUGHT TO THE COMMITTEES' ATTENTION THAT THEY NEEDED A 50¢ INCREASE BECAUSE THEIR SUBSCRIBERS ARE NOW PAYING \$4.95 PER MONTH. SM FEELS THAT IF THEY GO THROUGH A FAIRLY EXPENSIVE PROCESS TO GET THIS INCREASE, THEY WILL PROBABLY GET IT, BUT THEY WILL ALSO HAVE TO HAVE MORE MONEY TO PAY FOR THE COST OF ACHIEVING THAT INCREASE. SHE EXPLAINED THAT THE AMENDMENT THAT SHE DISTRIBUTED DEALS WITH THE SECTION ON PAGE 5 AND THE TOP OF PAGE 6. THIS AMENDMENT WOULD ALLOW THE SUBSCRIBERS TO OPEN UP AN INQUIRY MORE EASILY IN CASE THEY FALL BELOW THE 10% AMOUNT.

PROPOSERS:

THERE WERE SEVERAL OTHER PERSONS WHO DID NOT TESTIFY ON THIS BILL BUT WHO WERE RECOGNIZED AND WHO SIGNED THE VISITORS' REGISTER IN SUPPORT OF THIS BILL.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

DATE 3-6-87

BILL NO. H.B. 691

NAME: Jay Wilson Preston DATE: 3-6-87
ADDRESS: 312 Main St. S.W. Ronan MT 55864
PHONE: (406) 676-2751 SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 3-6-87
REPRESENTING WHOM? Ronan Telephone Co & Hot Springs Telephone Co BILL NO. HB 691
APPEARING ON WHICH PROPOSAL: HB 691 - An Act Reducing Rate Regulation for Small Telephone Companies
DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____
COMMENTS: See Attached Exhibits

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

TESTEMONY OF JAY WILSON PRESTON BEFORE
THE MONTANA SENATE BUSINESS & INDUSTRY COMMITTEE
CONCERNING HOUSE BILL 691

MARCH 6, 1987

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE,

MY NAME IS JAY PRESTON, AND I AM ASSISTANT GENERAL
MANAGER FOR RONAN TELEPHONE COMPANY IN LAKE COUNTY. I
STAND BEFORE YOU TODAY REPRESENTING RONAN TELEPHONE COMPANY
AND HOT SPRINGS TELEPHONE COMPANY TO URGE YOU TO GIVE HOUSE
BILL 691 A DO PASS RECOMENDATION.

BEFORE I START, I WISH TO PRESENT THE COMMITTEE WITH
THIS EXHIBIT, WHICH CONSISTS OF LETTERS OF SUPPORT FROM 4
PROMINENT MEMBERS OF THE RONAN COMMUNITY WHO SUBSCRIBE TO
TELEPHONE SERVICE FROM RONAN TELEPHONE AND A BRIEF SUMMARY
OF THE RATE CASES HISTORY AND ASSOCIATED COSTS FOR RONAN
TEL. PLEASE NOTICE THE ESCALATION OF THESE COSTS AND THE
MAGNITUDE OF THE ESTIMATED COST OF THE REGULATORY ~~PROCEDURE~~ ^{PROCESS}
TODAY ON THE LAST PAGE.

THE GOAL OF HOUSE BILL 691 IS TO ALLOW SMALL TELEPHONE
COMPANIES AND OUR CUSTOMERS THE OPPORTUNITY TO EXPERIENCE
MORE COST EFFECTIVE RATE REGULATION BY THE PUBLIC SERVICE
COMMISSION.

UNDER CURRENT LAW, THE P.S.C. IS REQUIRED TO REGULATE ALL
UTILITIES IN A VERY EXPENSIVE MANNER. ANY PRICING CHANGE
BEYOND THE TRIVIAL MUST BE TAKEN THROUGH THE LENGTHY PUBLIC
HEARING PROCESS; A PROCESS THAT CAN COST AS MUCH AS \$75,000
FOR MANAGEMENT TIME, LEGAL, ACCOUNTING, & CONSULTING FEES.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 3-6-87
BILL NO. H.B. 691

who serve only 500 customers

FOR HOT SPRINGS TELEPHONE COMPANY, THIS MEANS A POTENTIAL DIRECT COST OF REGULATION OF \$150 PER CUSTOMER TO PURSUE A RATE CHANGE REQUEST. PUT ANOTHER WAY, THIS FULL BLOWN RATE CASE CAN COST A COMPANY LIKE HOT SPRINGS AS MUCH AS 50 TO 70% OF ITS' TOTAL ANNUAL OPERATING REVENUES.

HOUSE BILL 691 WILL ALLOW CONSUMERS OF SMALL TELEPHONE COMPANIES TO AVOID THIS COST BY PERMITTING THE P.S.C. TO BYPASS THE PUBLIC HEARING PROCESS WHEN A REASONABLE REQUEST IS FILED. THE REASONABLENESS OF A REQUEST WILL BE JUDGED *By* ~~BY THE P.S.C.~~ THE MONTANA CONSUMER COUNCIL, AND, MOST IMPORTANTLY, BY THE CUSTOMERS THEMSELVES. ~~ANY ONE OF THESE THREE~~ ^{*FILED OF*} CAN INITIATE A PUBLIC HEARING IF THEY JUDGE THE REQUEST UNREASONABLE. ~~THE P.S.C.~~ ^{*THE*} CONSUMER COUNCIL CAN REQUIRE FULL PROCESS FOR ANY REASON AT THEIR OWN INITIATIVE, AND THE SUBSCRIBERS CAN INITIATE A HEARING BY PETITION TO THE P.S.C. WITH 10% OR MORE OF THE CUSTOMERS REQUESTING A REVIEW.

AT LEAST SEVEN OTHER STATES HAVE ENACTED REGULATORY REFORM FOR SMALL TELEPHONE COMPANIES, INCLUDING IOWA, MINNISOTA, ILLINOIS, AND NEBRASKA. THE RESULTS IN THESE STATES HAVE BEEN UNIFORMLY POSITIVE, WITH VITUALLY NO CASES OF ABUSE.

I BELEIVE THIS BILL WILL ALLOW THE FIVE SMALL TELEPHONE COMPANIES IN MONTANA TO WORK WITH THEIR CUSTOMERS TO DEVELOPE RATES THAT WILL BE A BENEFIT TO BOTH PARTIES, THE COMPANY AND THE SUBSCRIBERS.

a

PLEASE TAKE THIS OPPORTUNITY TO VOTE FOR RATIONAL REGULATORY POLICY, ^{*For small Telephone cos*} ~~AND SEND OUT THE MESSAGE THAT IN HERE IN MONTANA, COMMON SENSE CAN TRIUMPH OVER THE MINDLESS BUREAUCRATIC PROCESS THAT SO CRIPPLES SO MUCH OF OUR ECONOMY.~~ YOU CAN DO THAT BY GIVING HOUSE BILL 691 A DO PASS RECOMMENDATION. MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I WOULD BE DELIGHTED TO ANSWER ANY ~~QUESTIONS~~ QUESTIONS YOU MAY HAVE, AND I THANK YOU FOR THE OPPORTUNITY TO TESTIFY.

RONAN TELEPHONE COMPANY

DIRECT COSTS OF RATE MAKING PROCESS

Ronan Telephone Company has petitioned for increases in its basic rates only 3 times since 1960. Below are summaries these rate cases and the direct costs associated with them.

1st Rate Petition - 1961

The company was purchased by the present owners on Jan. 1, 1960. At that time the system utilized a manual switchboard, all calls had to be completed with operator assistance, and the standard rural service was 20 subscribers on each line. In the fall of the year of purchase, dial switching was introduced and the service was upgraded to only 8 parties on each rural line.

In 1961, the company filed for its first rate increase under the new management. All work associated with this rate case was done in house.

Direct Cost of Filing - Not Available

2nd Rate Petition - July 1976

Legal Fees Incurred: (Local Attorney) \$600.00

Most of the exhibit preparation was done by RTC staff with the aid of our local attorney.

The case asked for increases to fund upgraded service for the area. Basic service was upgraded from 4 & 8 party service to 1 & 2 party service. The entire process consumed the better part of 1.5 years from the time the case was filed until the case was completed.

A very minor technical mistake was made in accounting for ITC in the rate case exhibits. After the rates had been implemented, RTC was audited by the IRS, and the result was a claim against RTC to repay all ITC taken by RTC in the service expansion investment period of 1972 to 1976. Thus, as a result of RTC's desire to save its subscribers the cost of a sophisticated rate case prepared by expensive professionals, RTC had to deal with a \$60,000 IRS claim for ITC repayment + interest that consumed 5 years to resolve and cost \$40,000 in legal fees and \$10,000 in accounting fees. During this 5 year period, the fate of the company was in question, management was unable to plan for the future in any meaningful way, and the total cost, both in human terms and financially, is impossible to estimate.

RONAN TELEPHONE COMPANY

DIRECT COSTS OF RATE MAKING PROCESS
(Continued)

3rd Rate Petition - July 1980

Legal & Accounting Fees incurred: \$9500.00
(Not Local Firms- Both firms were in Helena.)

1829 Subscribers- Cost per Subscriber for Prof. \$5.20 per Sub.

Estimated RTC in house expense: \$15,000.00
(Includes the cost of time & travel to Helena on many occasions to confer with Professionals, print exhibits for case, and miscellaneous expenses.)

Total Direct cost per subscriber \$13.40 per Sub.

Estimated Cost for Rate Case Today - 1987

Legal & Accounting Costs \$20,000
Consulting Costs \$25,000
In House Expenses \$30,000

Total Estimated Cost of Rate Petition \$75,000

Total Estimated Cost per Subscriber for RTC \$36.62

This estimate does not account for the continuing expense of monitoring the regulatory process and fulfilling the post-divestiture requirements of the FCC & PSC for rate averaging activities. RTC estimates the ongoing cost for this process, which did not exist before the divestiture of the Bell System, is between \$1.50 and \$3.00 per subscriber per month. This is the most damaging cost, because it is continuous and ongoing. It is RTC's current opinion that this cost will only rise over time. Nothing on the telecommunications horizon reveals any abatement of this unproductive unnecessary cost in the foreseeable future.

For RTC, this activity represents perhaps an ongoing expense of \$75,000 per year.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 3-6-87

BILL NO. H.B. 691

MISSION VALLEY NEWS

February 14, 1987

Montana State Legislature
Helena, Montana

Ladies and Gentlemen:

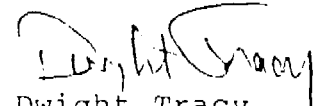
My name is Dwight Tracy. I own and operate a weekly newspaper in Ronan, Montana, and after talking with the owners of Ronan Telephone Company I want to support House Bill 691.

The Bill would eliminate the requirement of Public Service Commission hearings for rate changes. It does contain provision for PSC approval upon request of 10 percent or more of a small rural telephone company's customers after they have been notified of a pending increase. Rate regulation by the PSC would also be required when requested by the Consumer Council.

Even without those safeguards, I have great confidence in the integrity and community loyalty of our locally owned telephone company. We receive fine service here, and I suspect that removing some of the increasingly expensive governmental requirements of operating a business will be in the best interests of both the company and its customers.

Thank you for considering support of House Bill 691.

Sincerely,


Dwight Tracy,
Publisher

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 3-6-87

BILL NO. H.B. 691



RONAN STATE BANK

February 11, 1987

Montana State Legislature
Helena, Montana

Re: House Bill 691

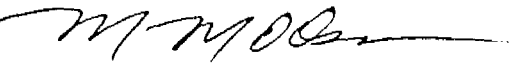
Dear Legislators:

Ronan State Bank would like to take this opportunity to support House Bill 691, An Act Reducing Rate Regulation of Small Telephone Companies.

In reviewing this proposed legislation with our local telephone company, it appears the costs associated with a general rate review are excessive as they apply to minor modifications of rates. We believe the protection is available through the proposed legislation to require a full review if the public comment is not favorable to the proposed changes.

Thank you for the opportunity to present our support of this issue.

Sincerely,



Martin M. Olsson
Vice-President

11

WESTERN SEED & SUPPLY, INC.

1308 ROUND BUTTE RD. W.

RONAN, MONTANA 59864

WESTLAND SEED INC.



Feb. 12, 1987

Les Kitselman
Chairman
Montana House of Representatives
Business & Labor Committee
State Capital
Helena, MT 59601

Dear Mr. Kitselman:

I am writing to express my support of HB 691, "AN ACT REDUCING RATE REGULATION OF SMALL TELEPHONE COMPANIES: ETS."

I am presently a resident and business man in Ronan, Montana, and am served by Ronan Telephone Company for both my business and residential telephone service. My experience dealing with our locally-owned and operated telephone system has convinced me that service here is of the highest quality and comparable to, or better than the service I have experienced in other communities, namely Bozeman, MT. and Bismark, ND.

I am also convinced that the regulatory burden small telephone companies are required to submit to, is an expensive process that raises the cost of telephone service to our local residents above what it could be if the process were simplified. The owners of our local system, the Preston family, live in the community they serve, and have demonstrated a long term interest in the communities well being.

Being in business myself, I can well understand the burden, bureaucratic regulations cause. Therefore I strongly support HB 691.

Sincerely,

Ken Sagmiller, Pres.
Westland Seed, Inc.
1308 Round Butte Rd W
Ronan, MT 59864

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 7
DATE 3-6-87
BILL NO. H.B. 691

NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

NORTHWESTERN FINANCIAL SERVICES, INC.
ART AYLESWORTH - REPRESENTATIVE

OFF: (406) 676 0300
RES: (406) 676 8100

2/13/87

Les Kitzelman
Chairman
Montana House of Representatives
Business & Labor Committee
S&B Capital
Helena MT 5601

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 3-6-87

BILL NO. H.B. 691

Hi Mr. Kitzelman,
I would like to offer my support of HB 691 "Act Reducing Rate Regulation of Small Telephone Comp."
I am a rural resident & business man in R.
Both phones are served by Navon Telephone Co. I can report excellent service at both locations & far superior service than I have at a summer residence in St Regis MT.

This legislation appears to be aimed at reducing costs associated with general rate reviews. Also adequate protection exists for abuse of pricing offered. Any changes such as this, that will reduce bureaucratic interference with good government should be supported.

Sincerely
Art

NAME: NAN MANSVILLE DATE: 16/8/

ADDRESS: 2701 ROBERT AVE HELFORD MT 59601 RENATE BUSINESS & INDUSTRY

PHONE: 444-6181 EXHIBIT NO. 6
DATE 3-6-87

REPRESENTING WHOM? PUBLIC SERVICE COMMISSION

APPEARING ON WHICH PROPOSAL: HB 691

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE? ☒ _____

COMMENTS: TESTIMONY SUBMITTED.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

PUBLIC SERVICE COMMISSION

2701 Prospect Avenue • Helena, Montana 59620
Telephone: (406) 444-6199

Clyde Jarvis, Chairman
Howard Ellis, Vice Chairman
John Driscoll
Tom Monahan
Danny Oberg

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 8

DATE 3-6-87

BILL NO. H.B. 691

WRITTEN TESTIMONY OF THE PUBLIC SERVICE COMMISSION IN OPPOSITION
TO HB 691

If enacted this legislation would reduce rate regulation of privately owned telephone companies with less than 5,000 customers. That means that 6,000 customers, including 1,000 business lines, in the territories of 5 telephone companies in the state would be effected. The Companies are:

Hot Springs Telephone
Lincoln Telephone Company
Project Telephone Company
Ronan Telephone Company
Southern Montana Telephone

The bill would remove the Public Service Commission's automatic review of rate increases. The Commission could review rate increases (including the formation of new rates) only in the following instances:

- 1) If 10% of affected customers have petitioned the Commission to review the rate increase;
- 2) If the telephone company requests the Commission review the increase;
- 3) If the Consumer Counsel petitions the Commission to review the case.

A strong majority of the Commission voted to oppose this bill. We feel that the current regulatory process works well. Under

existing law the Commission is required to provide an opportunity for hearing before rates are increased. The Commission reviews each request to determine the fairness and necessity for the increase. This is a system where monopoly ratepayers have the right to point out problem areas for themselves and have a hearing before the Commission to express their views. The Commission also has a responsibility to the monopoly ratepayers to use their expertise to assure just and reasonable rates.

The purpose of the Commission is to provide oversight to utilities offering monopoly services. We do not think the Commission should be relieved from the responsibilities it currently has to protect customers of monopolies. These customers should not be expected to have the expertise to decide whether or not an increase is cost justified and if the total of all increases represent a reasonable increase in revenues. Customers should be able to rely on this Commission to protect their interests.

Utility customers should have the same rights and protection regardless of the area of the state in which they reside. Customers in Huntley, with Project Telephone service, should have the same rights as customers in Billings with Mountain Bell service. This bill takes away the rights of individual customers in the state.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 8
DATE 3-6-87
BILL NO. H.B. 691

The Commission wants to make it clear that the rates that this bill seeks to remove from Commission review are not competitive services. This bill would affect basic telephone services. Services such as your monthly local rate, the amount you're charged to get a telephone installed, and the amount you pay for directory assistance. The Commission has the flexibility to relieve companies from unnecessary rate regulation of competitive services. We were given this flexibility when the 1985 legislature passed the Montana Telecommunications Act. The Commission testified in favor of that legislation. However, the services that would be affected by this bill are offered by PRIVATELY OWNED UTILITIES and are NOT COMPETITIVE.

The Commission feels that if this bill passed it would be unworkable. The bill requires companies to file a "summary of the justification for the proposed rate increase". This is very vague and may not give enough information for customers and consumer counsel to decide whether or not an increase is reasonable or the Commission to determine rates should a review under Section 4 take place. The bill also requires review if 10% of affected customers petition the Commission. How will the number of affected customers be determined for construction charges, installation charges, late payment charges, and new services?

We feel that the Commission has been and continues to be sensitive to the needs of the small utilities it regulates. In June of 1986 the Commission enacted a rule, on its own motion, that exempts these companies from most of the minimum filing requirements. The Commission keeps minimum filing requirements to the minimum that will provide sufficient information for effective regulation. The MTA was present at the hearings on the minimum filing requirements and did not testify that they would cause unnecessary burdens. The Commission has offered to further amend its rules to solve any perceived problems with the burden imposed on smaller companies, but that proposal has been rejected by these companies. Until there is a good faith effort to address perceived problems through the established process, we shouldn't resort to the more drastic approach of limiting jurisdictional authority.

The Commission is ahead of the Federal Communications Commission in amending its rules to reduce the filing requirements for small telephone companies. The FCC is only now considering reduced filing requirements, not reduced regulation. This committee should be aware of the note of caution sounded by the FCC in announcing its proposed rulemaking to reduce filing requirements: "local exchange carriers ... have a monopoly regarding the provision of ubiquitous access to the subscribers in their service area".

SENATE BUSINESS & INDUS

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There has been attempts all across the country to deregulate the provision of telephone services, many of which are still offered on a monopoly basis. The Commission sees this bill as a premier to further unwarranted deregulation of monopoly services.

In summary, this Commission has a responsibility to regulate the provision of monopoly services. Customers have certain rights to express their views that would be eliminated under this bill. The Commission strongly opposes this type of legislation.

STANDING COMMITTEE REPORT

MARCH 6, 1967

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 691

THIRD reading copy (BLUE color)

BRADLEY (NEUMAN)

REVISE RATE REGULATION OF SMALL TELEPHONE COMPANIES

Respectfully report as follows: That HOUSE BILL No. 691

be amended as follows:

1. Line 24 on page 5 through line 1 on page 6.
Strike: "signatures of" on line 24 of page 5 through
"generated from" on line 1 of page 6
Insert: "a signature of an authorized representative of
any interexchange carrier that would be affected by"

AND AS AMENDED,

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR KOLSTAD, Chairman.